

## **Minutes of the Finance Committee**

**Wednesday, May 2, 2012**

Chair Haukohl called the meeting to order at 8:30 a.m.

**Present:** Supervisors Pat Haukohl, Richard Morris, Cathleen Slattery, Bill Zaborowski, Larry Nelson, Pamela Meyer, and Dan Draeger.

**Also Present:** Chief of Staff Mark Mader, County Board Chair Paul Decker, Public Works Director Allison Bussler, Parks & Land Use Director Dale Shaver, Engineering Services Manager Gary Evans, Senior Civil Engineer Karen Braun, Senior Buyer Diane Knoll, Treasurer Pam Reeves, Budget Manager Keith Swartz, Administration Director Norm Cummings, and Principal Financial Projects Analyst Bob Ries. Recorded by Mary Pedersen, County Board Office.

### **Announcements**

Decker welcomed the committee members and said this is one of the more important committees. He hoped committee members would look at issues from a far-reaching standpoint and to think beyond their two-year terms. Waukesha County is in a very good position financially with a Triple A bond rating. The County will continue to experience cuts from the federal and state levels and unfunded mandates. Therefore, it will be necessary to look at the big picture, think broadly, and be creative. Decker said supervisor input is very important for the long-term and he encouraged committee members to attend other committee meetings. It is important that supervisors utilize as much information as possible. His vision is to have as many eyes and ears on the issues as a group. His door is always open. Decker said the work should take place at the committee level. He is hopeful all deliberations will occur at the committee level so supervisors are prepared to vote at the County Board level.

### **Next Meeting Date**

- 5-16-12

### **Committee Welcome and Opening Remarks by Chair**

Haukohl introduced Zaborowski and Meyer as veteran Finance Committee members. She believes that serving on Finance Committee will be a great learning experience and noted this committee, with a wide purview, meets more often and longer than other standing committees of the County Board. Fiscal-related items typically come before this committee. For informational purposes, committee members are encouraged to attend other standing committee meetings, but they need to request mileage reimbursement through a meeting approval. Haukohl said committee members should feel free to ask questions although asked that she, as chair, be alerted first by raising a hand. She also asked that Mary Pedersen of the County Board Office be notified of a late arrival or absence for quorum purposes. Committee members can make announcements at the beginning of each meeting. Haukohl said covering the Executive Committee report at each meeting is her way of informing committee members of what other standing committees are doing. Only those items on the agenda should be discussed although discussion items can be requested for future meeting agendas.

### **Nomination and Election of Vice Chair and Secretary**

MOTION: Zaborowski moved, second by Draeger to elect Pam Meyer as vice-chair of the Finance Committee. Motion carried 7-0.

MOTION: Draeger moved, second by Nelson to elect Bill Zaborowski as secretary of the Finance Committee. Motion carried 7-0.

### **Discuss Committee Duties and Responsibilities as Contained in the Code of Ordinances**

Mader highlighted that section of the County Code as it relates to this item. Mader said the Finance Committee has budget and policy oversight over the Department of Administration and the Treasurer's Office. Regarding the request for proposal process, it is this committee's role to determine if the process was followed correctly and that it was fair. It is not about the project or the vendor. This committee thoroughly reviews all budgets for the County in the fall. Other standing committees just review the departments of which they have budget and policy oversight. This committee also handles fund transfer requests, relevant financial legislation, budgets, liability claims (can approve settlements up to \$10,000), purchasing matters, audits, assessments, policy matters for banks and bonds, delinquent taxes, acquisition and sale of tax deeded properties, personnel requests and changes, inventory and disposal of fixed assets, and the sale, lease, and the purchase or disposition of county land or buildings except highway right-of-way. Via quarterly reports, this committee reviews interest rates on investments and revenues and expenditures by department.

Mader said attributes of great committees and committee members include being respectful, patient, and probing. They review information with diligence and recognize the need for constant vigilance. They are able to explain to a reasonable person why the committee took the action they did. They are prepared to answer questions on both sides of the issue to be ready for the County Board floor. It is also very important the committee follow open meetings laws.

### **Contract Procurement Process for CTH L, Janesville Road Land Acquisition – Capital Project #200011**

Braun advised this contract was awarded to Single Source Inc., the highest rated proposer, for a total contract cost of \$95,300. The budgeted amount was \$160,000. Four vendors submitted proposals for consideration. Draeger, a member of this RFP Committee, briefly explained the process.

MOTION: Zaborowski moved, second by Draeger to approve the contract procurement process for CTH L, Janesville Road right-of-way acquisition – Capital Project #200011. Motion carried 7-0.

### **Contract Procurement Process for Engineering Design Services for CTH Y, CTH M, CTH N – Capital Project #9817**

Evans indicated the contract was awarded to Ayres Associates, the highest rated proposer, for a total contract cost of \$127,837, the same as what was budgeted. Eight vendors submitted proposals for consideration. Haukohl noted the budgeted amount was the same as the contract cost. Evans said corrections were made to the cover sheet as two percentages were listed incorrectly.

MOTION: Meyer moved, second by Morris to approve the contract procurement process for engineering design services for CTH Y, CTH M, CTH N – Capital Project #9817. Motion carried 7-0.

### **Contract Procurement Process for the Enterprise Asset Management System**

Bussler and Shaver were present to discuss this item. Shaver explained the web-based asset management system and said this is a great way to track maintenance history and assets for the Public Works and Parks & Land Use departments. This system will address lineal assets only and a solution for Facilities and Parks & Land Use buildings will be addressed in a separate contract with another vendor. Bussler said they looked for a system that included the financial link but that system currently does not exist. However, she is hopeful one will be developed in the future.

Bussler advised the contract was awarded to Cartegraph, the highest rated proposer, for a total contract cost not to exceed \$278,610 for five years. The first year total cost is \$274,110 plus optional data conversion for CHEMS of \$4,500. Annual maintenance was calculated at 20% of the cost of the software with a cap of 3% for two years through year five. The first year budgeted amount was \$383,000. Four vendors submitted proposals for consideration.

MOTION: Meyer moved, second by Zaborowski to approve the contract procurement process for the enterprise asset management system. Motion carried 7-0.

### **Educational Presentation on the Treasurer's Office**

Reeves distributed information on her office's primary duties including to collect local and County property tax; compute and distribute tax settlements to 37 municipalities, the Department of Revenue, and other taxing entities; conduct the annual foreclosure process and auction; process daily deposits for other County departments; transfer and remit funds as required and when directed; print and mail accounts payable checks; distribute employee payroll checks; prepare bank reconciliations for the County's general account; administer unclaimed funds for all County departments and municipalities; and oversee County investment activities. Also included in the handout was information on the tax billing and collection cycle and the in rem foreclosure process.

### **Year-end Report on Special Revenue Funds**

Swartz reviewed the 2011 year-end budget monitoring summary report for special revenues. The Parks & Land Use Tarmann Fund was \$1,580,400 below budget since no land purchases were finalized during 2011. In Public Works, the Transportation Fund had a \$616,300 favorable variance, mainly due to more state highway work being requested resulting in more expenditures for state work and less highway staff time and related costs allocated to county highway operations. Also, mild weather conditions in 2011 resulted in lower costs for snow removal. The Federated Library Fund had a \$468,900 favorable balance mainly due to a one-time receipt of about \$444,000 from prior year CAFÉ fund balance as part of the transition of this program from the Waukesha Public Library to the Federated Library System as the fiscal agent.

Those funds that showed a favorable budget variance at year-end were Health & Human Services – Aging & Disability Resource Center Grant Fund (\$188,400); Federated Library – County Fund (\$0); Federated Library – State Aids and Federal Funds (\$97,000); Federated Library – CAFÉ Funds (\$469,000); Parks & Land Use – Information Systems Fund (\$15,400); Parks & Land Use – Tarmann Fund (\$1,580,400); and Public Works – Transportation Fund (\$616,300). Only the Parks

& Land Use – Community Development Fund showed an unfavorable budget variance at year end (-\$389,200). This resulted from differences between actual revenues of nearly \$6,782,000 and actual expenditures of \$7,171,200. The variance was primarily related to more program income and/or revolving loan expenditures than the related revenues received in 2011. There was sufficient availability of fund balance (from higher prior year revenues) to offset the negative results.

MOTION: Morris moved, second by Zaborowski to accept the year-end report on Special Revenue funds. Motion carried 7-0.

### **Educational Presentation on the Department of Administration**

Cummings distributed copies of the function/program chart for the Department of Administration. The department includes the following divisions: Human Resources, Budget, Purchasing and Risk Management, Information Technology/Communications, Accounting Services, and Administrative and Business Services. The department's major function is support, delivering good services, and saving money.

Cummings gave an overview of each division. Last year the Budget Division was involved in a special study on the girls' detention area at the County's Juvenile Center. This program was subsequently contracted out to Washington County. Currently, they are looking at other areas for cost savings at the Center. Cummings said Juvenile Court will always be there and it is likely secure detention for boys will stay there as well. They are, however, gathering data on the non-secure shelter care for boys and girls and will probably bring some supervisors into the discussions once they have the information. Haukohl reaffirmed the importance of involving the County Board in this process.

### **Financial Management and Fund Balance Policies and Bond Ratings**

Cummings distributed information on the Fitch and Moody's bond rating agencies, expenditures, fund balance, the 2011 and 2012 County budget, major changes in expenditures and unassigned fund balance, total reserve for delinquent taxes, and Waukesha County planning processes.

Cummings noted we have experienced federal cuts to the Community Development Block Grant Program and we expect future federal cuts in human services funding as well. The County also lost a significant amount of state revenues.

Cummings said in 1989 Waukesha County was upgraded to a Triple A bond rating by Moody's. One major factor for determining bond ratings is total unassigned fund balance. Fund balance is important for cash flow, emergencies, and because we pay delinquencies to municipalities. Special rules apply for using fund balance which the rating agencies look at closely. A good bond rating saves money on interest costs when borrowing, primarily used to partially fund capital projects.

Cummings reviewed the Strategic Planning and Budget Policies section of the Waukesha County 2012 adopted budget book for the following discussion items.

Cummings reviewed the County's reserve policy. The County's contingency provides for emergencies or other expenditures which could not have been planned or anticipated during the budget review process. The unassigned fund balance to general and special revenue fund expenditures ratio is maintained at a minimum of 15%. This is necessary working capital for about

eight weeks in the event there were cash flow interruptions, i.e., no incoming revenues. Fund balance reserves will not be used to offset continuous operation costs.

Cummings reviewed the County's planning processes. He said this county is privileged to have a County Executive and County Board that will make investments that pay off later. These planning processes follow a business approach. Processes are in place for vehicle replacement, highway improvements, technology, parks and building maintenance, jail equipment, etc. Returns on investments are always looked at.

Cummings referred to property tax levy increase limits. Enrolled 2011 Wisconsin Act 32 imposed new local tax levy increase limits for the 2012 and 2013 budgets. The law allows a County to increase its total property tax levy for the 2012 or 2013 budgets by the percentage change in the County growth in equalized value due to net new construction between the previous year and current year. The 2012 County budget went up 0.6% from the previous budget. This is the lowest percentage and levy increase in 25 years. Cummings explained cost-to-continue, an important budget concept in government. Departments are never given enough for cost-to-continue each year and so there are always budget cuts. Revenues make this process easier or more difficult, depending on the amount of revenues coming in.

Cummings reviewed the debt policy. A long range goal to managing overall debt service is to use annual cash balances from tax levy and governmental fund balance to fund capital projects at a minimum of 20% of net capital expenditures. This "down payment" reduces the need to borrow additional funds and manages debt service growth in relationship to the operating budget. This also allows the County to manage the debt service to operating budget expenditures ratio at less than 10%. The five-year Debt Service Plan is based on net capital expenditures planned in the County's five-year Capital Plan.

#### **Review County Investment Policies**

Cummings and Ries were present to discuss this item. Copies of the year-end investments report were distributed for informational purposes and included information on average daily balances, total County investment income, investment rates, investment types, portfolio, etc. The County has adopted an investment policy to preserve capital in the overall portfolio in order to protect investment principal, maintain liquidity, and maximize returns on investment. Cummings and Ries discussed the investment policy in detail and the County's portfolio.

MOTION: Zaborowski moved, second by Morris to adjourn at 11:45 a.m. Motion carried 7-0.

Respectfully submitted,

William J. Zaborowski  
Secretary